



Director of
Central
Intelligence

Top Secret

OCO
CABLE
ED

25X1

National Intelligence Daily (Cable)

18 March 1982

Top Secret

CO NIDC 82-064C

18 March 1982

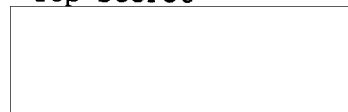
Copy

402

25X1



Page Denied

Top Secret



25X1

Contents

Central America:		1
USSR: <i>Domestic Aspects of Brezhnev's Speech</i>		4
China-Taiwan: <i>A Warning From Beijing</i>		5
		
Philippines - Saudi Arabia: <i>Marcos's Visit</i>		7
Poland: <i>Results of Price Increase</i>		8

25X1

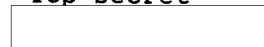
25X6

Special Analysis

USSR-Iraq: <i>Strengthening the Arms Relationship</i>	9
---	---



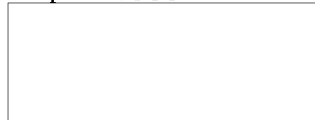
Top Secret



25X1

25X1

Top Secret



25X1

CENTRAL AMERICA:



25X1

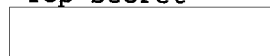
25X1



--continued



Top Secret



25X1

25X1

Top Secret

25X6
25X1

Terrorist Activity in Costa Rica

Four of the nine terrorists arrested by Costa Rican security forces during their recent seizure of a large arms cache in San Jose reportedly also were involved in surveillance of the US Embassy last month. In addition, one of the detainees has been positively identified as a recent resident of a UN-sponsored camp for Salvadoran refugees in the Costa Rican hinterland. [REDACTED]

25X1

Costa Rican security officials have long suspected that the refugee camp could become a training base for Salvadoran insurgents. Last September, eight Salvadorans alleged to be involved in leftist agitation reportedly were expelled from the camp by the Costa Rican Red Cross. [REDACTED]

25X1

Comment: The surveillance operation suggests that the terrorists may have planned to kidnap a US official. The sophistication of the gunrunning operation--including the use of blank travel papers, a printing press to create false documents, and at least 10 vehicles fitted to conceal weapons--suggests that the group had substantial funding. The vehicles apparently transited Nicaragua with impunity. [REDACTED]

25X1

25X1

--continued

Top Secret

25X1

Page Denied

Top Secret

25X1

USSR: Domestic Aspects of Brezhnev's Speech

President Brezhnev's remarks on domestic affairs in his speech to the Trade Union Congress on Tuesday revealed concern over defense spending and worker attitudes.

25X1

Brezhnev asserted that US and NATO policies required Moscow to divert "considerable resources" to the military and thereby crimp plans for "peaceful construction." He reiterated earlier promises that Moscow would spend for defense only what is absolutely necessary.

25X1

The Soviet leader's extensive remarks on trade union policy reaffirmed the traditional Soviet view that trade unions should function mainly to mobilize support for the party's political and economic goals. He did stress, however, the need for more energetic union leadership and attention to workers' interests.

25X1

Party secretary Kirilenko, who last appeared in public on 1 March, was absent from the session of the Congress that took place yesterday. According to the US Embassy, plans for live TV coverage of Brezhnev's speech on opening day were dropped at the last moment.

25X1

Comment: Brezhnev's defensiveness on military spending reflects the increasingly tough choices facing the leadership in allocating resources among military, civilian investment, and consumer uses. The domestic audience is put on notice that current economic problems will not ease soon. Although Brezhnev asserted no one should doubt the overall strength of the Soviet economy, he did not reiterate previous statements by Soviet leaders that the USSR would match any US military effort.

25X1

Although Brezhnev's remarks on trade union policy were unexceptional, the recent appointment of a new trade union chief shows that the regime is serious about revitalizing the union's leadership and is mindful of the problems the Polish Government has encountered in dealing with Solidarity. The new chief reportedly is a man of ideas and action.

25X1

Kirilenko's absence may be due to illness, but it is another sign that his political standing has slipped since the death of chief Soviet ideologue Suslov. The change in TV coverage probably was dictated by Soviet concern that Brezhnev's physical performance would not be up to par.

25X1

Top Secret

25X1

Top Secret

25X1

CHINA-TAIWAN: A Warning From Beijing

China has served notice that it firmly opposes any effort to treat Taiwan as an independent political entity.

25X1

In a diplomatic note circulated earlier this week to all foreign missions in Beijing, the Chinese accused Taiwan of conducting official or quasi-official activities with some nations under the guise of unofficial ties. Without listing specific consequences, the note implicitly threatens that China will break or downgrade relations with those nations refusing to curtail "official" dealings with Taiwan.

25X1

China previously has never officially expressed disapproval of commercial, cultural, or other unofficial relations maintained with Taiwan, even when those relations showed signs of acquiring an official tinge. Its protests have always been limited to the specific activities of individual countries.

25X1

Since the mid-1970s, Taiwan has responded to its increasing diplomatic isolation by building "substantive relations" with countries recognizing Beijing. This has been done through Taiwan's 30 or more offices in foreign capitals, which usually are staffed by Foreign Ministry personnel.

25X1

//These offices take a variety of forms, depending on what the host government will permit. About 20 countries maintain similar offices in Taipei. Taiwan frequently points to them as evidence of its ability to thwart China's efforts to encircle it diplomatically.//

25X1

Comment: Although the Chinese statement appears aimed at underscoring Beijing's concern about US policy on Taiwan, China now also seeks to broaden its opposition to include countries that have added or anticipate adding an official dimension to their relations with Taiwan.

25X1

Top Secret

25X1

Page Denied

Top Secret

PHILIPPINES - SAUDI ARABIA: Marcos's Visit

//President Marcos, who arrives in Saudi Arabia this weekend, will seek Riyadh's assistance in ending the Muslim insurgency in the Southern Philippines as well as stronger bilateral economic relations.//

Marcos will request Saudi support for a public reconciliation with Muslim rebel leaders. He is prepared to meet Nur Misuari, the recognized leader of the rebel Moro National Liberation Front, who is in Saudi Arabia. Other rebel leaders reportedly have agreed to an accommodation with Manila in exchange for minor concessions on Muslim autonomy.

The President is vulnerable on the Muslim issue. In late 1980 the Saudis threatened oil cutbacks over Manila's lack of progress on Muslim grievances in the Philippines. The President is thus aware that protecting oil supplies and financial interests requires at least the appearance of progress on Muslim concerns.

//One-half of the Philippines' oil imports come from Saudi Arabia, and Marcos will seek assurances that the flow will continue uninterrupted.

//Manila has eased the financial drain of an oil import bill approaching \$3 billion annually by sending 250,000 Filipino workers to the Persian Gulf and securing nearly \$2 billion in construction contracts there.

Comment: Marcos's peace overtures to Muslim rebel leaders are primarily intended for Saudi consumption. Misuari will give Marcos a diplomatic edge if he refuses a meeting or continues his inflexible position on Muslim independence. The rebel leader apparently has already fallen out of favor with the Organization of the Islamic Conference, which has supported Philippine Muslim aspirations since the early 1970s.

Top Secret

Top Secret

25X1

POLAND: Results of Price Increases

Higher prices in effect since February have decreased the demand for many food items and led to shorter food lines and less panic buying in Warsaw, according to the US Embassy. Some consumers can no longer afford cheese and other unrationed items or even rationed goods, including meat, because of the higher prices and inadequate wage compensation. [REDACTED]

25X1

Comment: Consumers have yet to feel the full impact of the price increases partly because they have been using up savings, bonuses paid at the end of 1981, and food stocks they had hoarded. Workers are likely to react more vigorously to their declining standard of living as these reserves are used up and as future price increases occur. [REDACTED]

25X1

Top Secret

25X1

Top Secret

25X1

SPECIAL ANALYSIS

USSR-IRAQ: Strengthening the Arms Relationship

25X1

//The USSR and Iraq may soon conclude an arms deal worth several billion dollars. Although a major new contract would alleviate some of the Iraqi bitterness over Moscow's embargo on arms shipments in the first six months of the war with Iran, it would not signal a change in Baghdad's longstanding policy of diversifying its sources of arms.//

25X1

//The Soviets endorsed selected arms transfers from Eastern Europe to Iraq early in the conflict, but Moscow did not resume full-scale shipments until last April. Nearly \$1 billion worth arrived under prewar contracts in the last nine months of 1981, including initial shipments of MIG-25s and AS-9 air-to-surface missiles.//

25X1

//The shift in Moscow's tactics grew out of its realization that its cultivation of Iran had angered Iraq and its concern that Baghdad had purchased over \$7 billion worth of Western arms since the beginning of the war. The Soviets also had become increasingly aware of Baghdad's closer alignment with conservative Western-oriented Arab states and its modest improvement in relations with the US.//

25X1

Iraqi Requirements

A Soviet trade official recently told a US diplomat in Baghdad that Moscow is reviewing an Iraqi list of Soviet weapons and military support worth \$10 billion and that Iraq is offering to pay hard currency in advance of delivery. He said that the Iraqis want to buy MIG-25s, T-62 and T-72 tanks, air defense equipment, armored personnel carriers, and artillery. They also want the Soviets to construct military production facilities for armored vehicles.

25X1

--continued

Top Secret

25X1

Top Secret

25X1

//Until the war is over and relations with Iran are better defined, however, Moscow is likely to limit the quantities of advanced armaments it provides to Iraq. The USSR probably will conclude a new arms sale, but one that is scaled down to perhaps \$3-4 billion.//

25X1

//Despite the probability of a new arms deal, Iraqi leaders will continue to have both misgivings about Moscow's record of manipulating arms deliveries and deep suspicions about Soviet intentions toward them. Baghdad is thus likely to continue to seek supplementary sources of arms, especially from Communist states where Soviet influence is limited.//

25X1

Other Communist Support

//Since the fighting started, East European countries--in most cases with Soviet approval--have provided crucial supplies of Soviet-designed spare parts, ordnance, and an assortment of ground weapons. Non-Soviet Warsaw Pact countries have signed agreements worth \$1.4 billion.//

25X1

//Romania has signed an agreement, mainly for support items and ordnance, totaling \$700 million. Deals with Poland for \$300 million included the supply of about 350 T-55 tanks, air defense guns, and some MI-2 helicopters. Hungarian contracts for \$85 million covered 200 57-mm antiaircraft guns.//

25X1

//Yugoslavia's current \$800 million agreement calls for further military construction projects. These extend Belgrade's earlier contracts that helped develop Iraq's capacity to produce small arms and ordnance.//

25X1

//China has employed Jordan and North Yemen as intermediaries to conclude contracts valued at over \$2 billion--more than all other Chinese arms sales to the Third World. Deliveries to Iraq from China in 1981 and early 1982 total about \$500 million and include Type-59 tanks and large quantities of artillery.//

25X1

Top Secret

25X1

Top Secret

Top Secret